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1300 MANAGEMENT OF CLIENT FUNDS

1301 Overview

This chapter provides information regarding standard Department of Economic Security (DES) policies for safeguarding, using, and investing funds held in trust for clients of DES Division of Developmental Disabilities (DES/DDD).

1302 Policy

This policy applies to all DES personnel involved with DES/DDD client funds where DES/DDD is representative payee or otherwise authorized to administer personal funds of clients. Providers will not be representative payee. Special provisions of service provider and DES contracts will stipulate that provider agencies develop internal policies regarding client funds consistent with DES policies and applicable state and federal regulations. These provider policies are subject to DES approval during contract negotiations.

This policy specifically prohibits a provider from establishing a bank account (other than the standard group home account) for an individual with out the express written consent of the representative payee (DES/DDD Support Coordinator if DES/DDD is the representative payee). All accounts must be recorded on form DD-221 (Individual Spending Plan - Appendix 800.H).

DES/DDD will not be the representative payee when it is evident that the individual can, or would like to learn to, handle their own funds or if there is a guardian or family member willing and able to serve in that capacity.

1303 Definitions

- a. personal spending money - discretionary moneys provided to clients;
- b. Client Fund Trust System (CFTS) - the systems used by DES/DDD to maintain and track client funds;

- c. designees - personnel who have been delegated authority by the Director of Business Operations or a DES/DDD District Program Manager (DPM);
- d. fiduciary capacity - any employee of the State of Arizona or private provider under contract who also handles client funds is acting in a fiduciary capacity and is responsible to properly and faithfully account for all client funds received by him/her. "One is said to act in a "fiduciary capacity" or to receive money or contract a debt in a "fiduciary capacity", when the business which he/she transacts, or the money or property which he/she handles, is not his/her own or for his/her own benefit, but for the benefit of another person, as to whom he/she stands in a relation implying and necessitating great confidence and trust on the one part and a high degree of good faith on the other part. The term is not restricted to technical or express trusts, but includes also such offices or relations as those of an attorney at law, a guardian, executor or broker, a director of a corporation and a public officer." Black's Law Dictionary, sixth edition;
- e. funds - funds include cash, checks, money orders, petty cash funds, change funds, bank accounts, savings accounts and investments;
- f. Individual Spending Plan (ISP) - a plan designed for each client living in a community residential setting or for whom DES/DDD is the representative payee, through the Interdisciplinary Team Process. This plan dictates the amounts and purposes for which each client's money is spent;
- g. Individual Support Plan (ISP) - a written statement, developed by an interdisciplinary team (ISP team), of needed services to be provided and goals and objectives to be attained for a person with developmental disabilities. The ISP directs the provision of safe, secure and dependable active treatment in areas that are necessary for individuals to achieve full social inclusion, independence and personal and economic well-being;
- h. interdisciplinary team - a group consisting of DES/DDD Support Coordination staff in consultation with the client and with the parent, guardian, client advocate and/or provider, as appropriate; and
- j. trust funds - trust funds are those funds entrusted to an individual or agency for preservation and investment, as prescribed by the instrument establishing such funds and DES Policy Directives and Internal Instruction Manuals.

1304 Responsibilities

- a. Business Operations will provide technical guidance and assistance regarding the CFTS to the DPM and/or designees on policy and procedural matters;
- b. DPMs in each district are ultimately responsible for the proper use of client funds, however, he/she may delegate authority to designees unless otherwise precluded by law, regulation, DES Policy Directives or DES Policy and Procedures;
- c. DES/DDD will ensure:
 - 1. training is provided to all employees handling client funds, familiarizing them with the policies and procedures governing these funds;
 - 2. the administrators of these funds will exercise the necessary judgment required to provide evidence of good faith and due care; and
 - 3. that audit and administrative assistance is available to review vendor activity related to client funds;
- d. confidentiality will be maintained in accordance with Chapter 1800 of the Policies and Procedures Manual.

1305 Safeguarding Client Funds

- a. separate accounts:
 - 1. a separate account shall be maintained for each client to show all funds received, disbursed and unexpended; and
 - 2. transactions posted to a client's account shall be traceable to an original source document.
- b. fund transactions:
 - 1. all cash received will be journalized through CFTS and a log book (manual or computerized);

2. when a client transfers from one district to another, accountability for interdistrict cash transfers will be documented through the use of signed receipt forms;
3. checks and other negotiable instruments received must be immediately endorsed with the restrictive statement "For Deposit Only - Arizona Training Program Client Account";
4. funds received shall be recorded in CFTS in a timely manner - at least weekly;
5. funds received will be deposited in the bank in a timely manner - at least weekly. Appropriate safeguards should be afforded while funds are being transported between the DES/DDD facility and the bank; and
6. a single person should not handle a transaction from beginning to end; therefore, if personnel and other cost considerations permit, cash and check handling and record keeping functions will be separated.

1306 Cash Security

Client funds in excess of \$20 not deposited will be kept in a safe, locked file cabinet or other secure location. Funds will not be stored in desks, unlocked files, purses, etc. Client funds will not be commingled with any other funds.

1307 Disbursing Client Funds

- a. all disbursements, except bank service charges, will be by pre-numbered checks;
- b. all disbursements, except by authority of the DPM, must be authorized in the ISP;
- c. all disbursements for clients shall be evidenced by:
 1. written requests for funds;
 2. approval of the request by the DPM or designee;

3. approval by the DPM for all requests of \$500 or more; and
4. appropriate entries in the CFTS.

In no case will the person approving an expenditure be the payee of the check, nor will the person maintaining accounting records or preparing checks also sign the checks.

- d. all pre-numbered checks will be accounted for monthly in the following categories to aid in the bank reconciliation process:
 1. paid by bank (cancelled);
 2. void; or
 3. outstanding;

Cash or checks in the hands of third parties for the purchase of goods and services for clients will be signed for and a suspense file established pending paid receipts. Suspense files will be cleared within thirty days after full payment for goods and services.

- e. personal spending money will not exceed \$ 100.00 per month unless otherwise specified in the ISP;
 1. allowance disbursements to client will not require vendor receipts, however, individual districts may require the client to acknowledge receipt of funds;
 2. any allowances not paid directly to the client will require vendor receipts for any individual expenditure in excess of \$10.00. Further, all expenditures will be documented in a log;
- f. all non-allowance disbursements from the Client Account shall be documented as expended by the submission within 30 days, of an itemized receipt form, showing vendor name, date of purchase, a written description of the individual item(s) and a vendor receipt for any individual goods or services in excess of \$50.00. DPMs may establish a receipt limit of less than \$50.00;
- g. until the properly supported receipt form is turned in, no further requests for purchases will be processed unless specifically approved by the DPM;

- h. it is permissible for a request to designate that several disbursements be made in the name of a specific client over a period of time. Such requests, regardless of when made, must be resubmitted annually in order to remain effective;
- i. a disbursement request charging an individual client's account will not be honored unless that account has sufficient funds to pay the entire amount requested. The requesting party will be so notified and a modified request can be submitted; and
- j. all requests will be processed within 5 working days of receipt by the district business office or designated CFTS personnel.

1308 Bank Reconciliation

Bank and checkbook balances will be reconciled monthly. The duties of reconciling the bank and CFTS balances and maintaining the accounting records will be separated. Bank, investment, petty cash and change fund balances will be reconciled to balances in client accounts monthly.

1309 Use of Client Funds

In general, client funds are administered in accordance with the intent of the individual or entity providing the funds.

- a. for economy and efficiency of administration, client funds should be pooled into one bank account. Separate records shall be maintained that identify each client's funds. Funds in the pooled bank account in excess of current requirements shall be invested in accordance with the provisions of Section 1310 of the Policy and Procedures Manual. An exception to this policy is permitted when the interdisciplinary team, as reflected in the ISP, determines that the best interest of a client will be served by separate bank and/or savings accounts;
- b. client funds will not be loaned to other clients, state employees, or any other agency or person;
- c. client funds, including interest earnings, will not be used to defray the cost of administration, supplies, equipment, or services. However, bank and investment institution service charges for administering pooled checking and investment accounts may be offset against interest earnings;

- d. client funds, except upon written approval of the DPM or designee, will be used only for expenditures authorized in the ISP. This approval will be retained to document the expenditure;
- e. unexpended client funds advanced to a third party for purchases or allowances will be redeposited in the bank and credited to the appropriate client's account; however, unexpended funds of less than \$5.00 may be retained, provided they are expended for that client's incidental needs;
- f. funds belonging to clients no longer requiring financial management from DES/DDD will be disposed of as follows:
 - 1. fund balances will be returned to the client by check in accordance with instructions from the guardian, custodian, or representative payee, if such has been appointed;
 - 2. if the client cannot be located and a guardian, custodian or estate also cannot be located, the DPM shall contact the agency or person providing client funds for instructions. In the absence of instructions from the provider of funds or if the provider cannot be determined, the provisions of Arizona Revised Statutes 44-312, 44-313, and 44-317 concerning abandoned personal property apply.

1310 Investing Client Funds

- a. only the minimum amount required to meet current needs will be kept in CFTS;
- b. cash in excess of the minimum amounts noted in Section 1310(a) will be invested with the State Treasurer's Office; and
- c. interest earnings minus bank service charges, will be apportioned to client accounts monthly, based on client balances.

